2013

RI OFFICE OF ENERGY RESOURCES ANNUAL PERFORMANCE AND FINANCIAL REPORT

STATE OF RHODE ISLAND
OFFICE OF ENERGY RESOURCES

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STATE OF RHODE ISLAND
OFFICE OF ENERGY RESOURCES
Commissioner Marion S. Gold, Ph.D.

April 15, 2014

The Honorable Lincoln D. Chafee
Governor of the State of Rhode Island
Rhode Island State House
Providence, Rhode Island 02903

RE: Office of Energy Resources – 2013 Annual Performance and Financial Report

Dear Governor Chafee:

In accordance with the provisions of RIGL Section 39-2-1.2(k), I am pleased to provide you with the 2013 Annual Performance and Financial Report of the Office of Energy Resources (OER).

Under your leadership, Rhode Island is once again home to one of the top ten energy efficiency programs in the nation. In addition, the state continues to make substantial investments in local renewable energy development, while working with our New England neighbors to explore cost-effective energy infrastructure opportunities that will further diversify our energy portfolio and improve system reliability. This multi-faceted approach has the potential to lower long-term energy costs and price volatility for consumers; improve the state's ability to compete for new investment opportunities; grow and support our clean energy businesses and industries; spur job creation; and help the Ocean State protect and advance its quality of life and environment. These and many other energy accomplishments are highlighted in the report, which will be posted on the OER web site at www.energy.ri.gov.

We look forward to working with you and the General Assembly to further develop our clean energy economy in a manner that appropriately balances ratepayer costs and energy affordability, reliability, fuel diversity, economic opportunity, and environmental quality. Please do not hesitate to contact me should you have any questions.

Sincerely,

Marion S. Gold, Ph. D.
Commissioner

Cc: Speaker Nicholas A. Mattiello
Senate President M. Teresa Paiva-Weed
Senate Majority Leader Dominick J. Ruggerio
House Majority Leader John J. DeSimone

House Minority Leader Brian C. Newberry
Senate Minority Leader Dennis L. Algiere
Richard A. Licht, Director, Department of Administration

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ANNUAL REPORT

R.I.G.L. Section 39-2-1.2 (k) requires that the Office of Energy Resources (OER or the Office) submit a report to the General Assembly and the Governor annually by April 15th. The OER is pleased to provide this report as a summary of our accomplishments in 2013.

ABOUT THE OFFICE OF ENERGY RESOURCES

The mission of the OER is to lead Rhode Island to a secure, cost-effective, and sustainable energy future. As the principal state agency focused on energy policy and programs, the OER works to advance Rhode Island's leadership in energy efficiency, renewable energy, alternative fuels, and energy assurance. To create consistent and unified energy policies, the OER works with state agencies and bodies (including the Distributed Generation Standard Contracts Board, the Energy Efficiency and Resource Management Council, and the Renewable Energy Coordinating Board), as well as private and non-profit stakeholders. In addition, the Office engages with energy officials and agencies throughout the New England region to coordinate the advancement of common energy policy goals. The OER also leads climate change mitigation strategies for the state through energy policy and programs and actively participates in the Governor's Executive Climate Change Council. The Commissioner of the OER serves on the Board of Directors of the National Association of State Energy Officials (NASEO) and on the State Energy Advisory Board (STEAB) to the Department of Energy. The Commissioner, together with the Chair of the Rhode Island Public Utilities Commission, also serves as a manager for the New England States Committee on Electricity (NESCOE). For more information on OER programs, please visit our website at: www.energy.ri.gov.

STATE ENERGY PLAN

One of the OER's top priorities in 2013 involved conducting robust scenario modeling exercises and engaging with stakeholders to help inform revisions to the Rhode Island State Energy Plan (RISEP or "the Plan"). The last comprehensive review of the State Energy Plan occurred in 2002, prior to the passing of many energy efficiency- and renewable-related mandates which now form the bedrock of our state's energy policy. The OER launched the planning process for this effort in late 2012 and projects its completion in Fall 2014.

The Plan lays out a vision and roadmap to achieve a secure, cost-effective, and sustainable energy future for the state. The OER collaborated with a 20 member Advisory Council, various stakeholder groups, state agencies, and a consultant team to develop the Plan, which will be vetted through a technical and public review process in 2014. Ultimately, the State Energy Plan is designed to be adopted as an element of the State Guide Plan by the State Planning Council.

Throughout 2013, OER assembled the Plan by gathering data, setting goals, and recommending action to better inform near- and long-term energy policy development. The conclusions of the Plan are based on a data-driven, quantitative scenario analysis completed by Navigant Consulting. The results of the modeling demonstrate that Rhode Island can reap significant energy security, economic, and sustainability benefits by pursuing ambitious alternative energy futures beyond a "business-as-usual" pathway. In fact, the analysis shows a strong correlation among three variables: an increase in fuel diversity, long-term carbon reduction goals, and overall net economic benefits for Ocean State consumers.

To achieve these ambitious goals, Rhode Island needs to pursue and implement game-changing policies that modernize the energy system infrastructure; capitalize on cheaper, lower-carbon fuels; and, most importantly, continue Rhode Island's commitment to energy efficiency as the lowest-risk, lowest-cost, and lowest-impact energy resource available. The Plan will propose a

portfolio of 20 policy recommendations that can help the state meet its goals and achieve a secure, cost-effective, and sustainable energy future.

Further information on the Plan is available on the OER web site: www.energy.ri.gov/energyplan/index.php.

REGIONAL AND NATIONAL COLLABORATION

One of the critical areas and responsibilities of the OER is to represent state interests and provide technical assistance in regional and national energy planning and policy initiatives. These efforts are guided by our desire to advance policies that accomplish three main goals: provide electricity in a cost-effective manner, while maintaining reliable electric service; support local renewable energy development; and enhance Rhode Island's environment.

For instance, the OER has been spearheading the Chafee Administration's effort to work collaboratively with the New England states in exploring opportunities for coordinated and strategic investments in our region's energy infrastructure. In December 2013, Governor Chafee joined his New England counterparts to announce this cooperative initiative which seeks to advance investments that "will provide affordable, clean, and reliable energy to power our homes and businesses; make our region more competitive by reducing energy costs; attract more investment to the region; and protect our quality of life and environment."[1] Included as part of the Governors' Initiative is the pursuit of electric transmission projects which can facilitate the delivery of new, clean energy resources – such as large-scale hydropower – to New England's load centers.

Regional action to help stabilize long-term energy costs, reduce price volatility, diversify our energy portfolio, enhance system reliability, and achieve common environmental goals is critical if the New England states wish to mitigate their economic disadvantages and enable new investment and job growth opportunities. It is vital for the state – through the OER and other state agencies – to continue to work with its regional colleagues on other important issues beyond this infrastructure initiative. For example, the New England states have successfully worked with ISO-New England (the region's electric grid operator and wholesale market manager) and regional stakeholders to integrate the effects of energy efficiency investments into

[1] Joint Statement by the New England Governors, December 5, 2013. "New England Governors' Commitment to Regional Cooperation on Energy Infrastructure Issues"

long-term transmission planning. This has resulted in the deferral of hundreds of millions of dollars in costly infrastructure investments (i.e. high-voltage wires) which the region's electric consumers would have otherwise paid. A similar effort is now underway to examine the impacts of both robust state-level investments in renewable distributed generation and wide-spread deployment of small-scale clean energy resources on the bulk electric power system.

The OER is poised to inform and lead these and other region-wide efforts, which will help ensure that our state's energy, economic, and environmental interests are pursued and protected.

ENERGY EFFICIENCY

Energy Efficiency Performance in 2013

In the 2013 edition of the American Council for an Energy-Efficient Economy (ACEEE) *State Scorecard*, Rhode Island's energy efficiency programs were ranked second in the nation for energy efficiency policies and programs and sixth in the nation overall - up from seventh in 2012. This is due, in large part, to aggressive state energy savings targets driven by "Least Cost Procurement" legislation that requires National Grid – the state's primary electric and gas distribution utility – to invest in all energy efficiency measures that cost less than traditional energy supply. This strategy is "least cost" because energy efficiency costs approximately 4¢ per kilowatt-hour (kWh) as compared to traditional electric supply costs, which are more expensive and volatile, as well as less environmentally-friendly. In fact, at the time of issuing this report, residential power supply rates in Rhode Island exceed 8¢ per kWh – twice the average cost of energy efficiency measures. It is important to note that energy-saving investments supported by Least Cost Procurement policies help drive investment in the Rhode Island economy. For every $1 spent on energy efficiency in 2014, Rhode Island is estimated to receive electric and natural gas benefits of more than $2. This return demonstrates that Least Cost Procurement programs are a powerful agent in resolving the state's economic crisis: they reduce our energy bills, stimulate economic growth and job creation, stem the flow of our energy dollars out of state, and make Rhode Island more competitive by lowering the costs to operate businesses. In 2013, energy efficiency programs also employed 534 [2]full-time equivalent (FTE) employees working with over 700 businesses[3]. Moreover, for every kWh of reduced electricity demand resulting from these investments, Rhode Island is foregoing the consumption of grid-based energy most likely produced by fossil fuels. Without question, energy efficiency investments not only support and grow our local economy, but they also facilitate achieving our environmental and climate change mitigation goals.

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[2] Employment data provided to National Grid by Peregrine Energy Group, Inc. and reported in the 2013 Energy Efficiency & Resource Management Council Annual Report, April 2014. This report is available at: www.rieermc.ri.gov/annualreport/.

[3] Calculated from list of contractors and subcontractors involved in 2013 Rhode Island Energy Efficiency Programs through National Grid, as reported in the above-referenced 2013 EERMC Annual Report, April 2014.

The state's energy efficiency programs are administered by National Grid with oversight from the OER and the Energy Efficiency and Resource Management Council (EERMC). The Energy Commissioner serves as the Executive Director and Secretary of the EERMC. A full performance and financial report on the Rhode Island energy efficiency program is provided in the 2013 Annual Report of the EERMC. The report has been submitted under separate cover to the General Assembly and the Governor, and is available at: www.rieermc.ri.gov/annualreport/.

The EERMC, with support from the OER and National Grid, recently submitted a proposal to the Public Utilities Commission (PUC) which would increase our energy saving targets from 2.05 percent of electric sales to 2.60 percent by 2017. Energy savings targets for natural gas would also increase, to 1.1 percent of sales in 2017 – representing 414,606 MMBtus of natural gas saved. These targets are among the highest in the country – strengthening Rhode Island's leadership position.

Rhode Island Public Energy Partnership

In October 2012, the OER was awarded a three-year competitive grant from the United States Department of Energy (DOE) to establish the Rhode Island Public Energy Partnership (RIPEP). RIPEP is a collaborative effort among the OER, National Grid, the EERMC, the University of Rhode Island, and other key state and municipal agencies to overcome barriers (financial, administrative, and programmatic) that prevent deep energy savings at public facilities. The program has the potential to substantially reduce energy costs at state and municipal buildings, a boon to Ocean State citizens and businesses who ultimately pay these costs through taxes.

RIPEP has three primary objectives:

- Create a comprehensive inventory of energy consumption in the public sector;
- Implement energy efficiency measures that achieve an average of 20% savings in 100 facilities;
- Identify and mitigate barriers to efficiency improvements in the public sector.

Initial priority will be given to water supply facilities, schools, and state buildings, followed by other municipal facilities.

In 2013, public sector liaisons were hired at both the OER and National Grid to streamline communications and ensure ready access to programs. The EPA ENERGY STAR Portfolio Manager was used to create energy consumption and expenditure data baselines for 135 public utility accounts. Scoping studies were completed at 18 public facilities - eight drinking water facilities, eight state facilities, and two schools. In 2014, recommendations from these scoping studies will be implemented utilizing National Grid incentives and RGGI funds. Also, an additional 60 scoping studies will be completed in 2014.

RIPEP recently launched its showcase project at the William M. Davies, Jr. Career and Technical High School – a Lincoln-based 220,000 square foot state-operated local education agency (LEA) governed by an independent, business-led Board of Trustees. The school partnered with National Grid to design a project to upgrade its existing lighting infrastructure to some of the newest, most energy efficient fixtures available in the marketplace. Additional control points were added to the existing energy management system. New motors and variable speed drives were also installed on HVAC equipment. As a result of these investments, Davies School anticipates annual energy cost savings of $147,000– an astonishing 67 percent reduction in its utility bill. Nearly 50 percent of project costs were covered through National Grid incentives. Davies was the first state facility to take advantage of National Grid's On-Bill Repayment program. This program allows customers to repay project costs – after incentives – through a short-term (2-5 year) zero-interest loan that appears on their monthly utility bill.

For each of RIPEP's target sectors (state, municipal, drinking water, and schools), stakeholder working groups have been established to support and inform RIPEP efforts. The working groups were carefully assembled to include key industry experts representing a wide variety of roles, organizations, and perspectives in the municipal and energy sectors. These groups provide high-

level, strategic guidance on the RIPEP agenda, focusing on identifying and exploring solutions to barriers preventing robust implementation of energy efficiency measures at public facilities.

In 2014 and beyond, the OER will explore ways to expand RIPEP into the centerpiece of a more comprehensive, sustainable program that will assist state agencies and municipalities to connect with innovative energy efficiency and renewable energy programs now under development at the OER. This effort has the potential to further enhance the public sector's ability to identify, fund, and implement cost-effective investments that drive down energy usage, lower costs, create local jobs, and improve our collective quality of life and environment.

Energy Expo at the Rhode Island Home Show

In partnership with National Grid, the EERMC, and the Rhode Island Builders Association, the OER organized the first ever Energy Expo at the Rhode Island Home Show. The event was held from Thursday, April 3rd through Sunday, April 6th at the Rhode Island Convention Center in Providence. One of the core goals of the Expo was to support the development of our state's energy economy by providing an opportunity for local energy businesses to connect with potential customers. More than 20,000 attendees had the opportunity to learn about a variety of home energy saving solutions from 95 energy-related companies. The Energy Expo featured educational seminars on topics such as no-cost home energy assessments, alternative home heating options, renewable energy, and alternative fuel vehicles, as well as demonstrations on do-it-yourself pipe insulation, air-tightness testing, and high-tech energy-saving thermostats. Hundreds of low-cost, high-efficiency light bulb kits were sold, children were engaged with fun and educational activities related to energy, and a $5,000 Home Energy Makeover was given away to one lucky Rhode Island homeowner.

On Saturday, April 5th, United States Senators Jack Reed and Sheldon Whitehouse and Representative David Cicilline recognized outstanding leaders in energy efficiency and sustainability in Rhode Island. Over 75 people, including Rhode Island Senators William J. Conley, Jr. and Juan M. Pichardo and Representative Arthur Handy, attended the event, which featured

six Rhode Island energy leaders, including builders, schools, homeowners, and community organizations. Caldwell and Johnson, Inc. and Omni Development Corporation were recognized for leadership in building and renovating environmentally sustainable homes in Rhode Island. The Paul W. Crowley East Bay MET Center and the William M. Davies, Jr. Career and Technical High School were recognized for outstanding efforts toward creating net zero energy and energy efficient schools. The Comprehensive Community Action Program was recognized for delivering energy solutions to Rhode Island's low income population. Finally, homeowner Alfred Tanner of Warwick was recognized for exemplary implementation of energy efficiency measures in his home.

RENEWABLE ENERGY

Distributed Generation Program

The Distributed Generation Standard Contracts (DG) program, created by R.I.G.L. Section 32-2.1, has supported the development of over 23 megawatts of in-state renewable energy generation projects in the last three years – a substantial increase over the status quo. Both private and municipal projects have been proposed in 30 municipalities, and projects are operational or are being installed in 17 different cities and towns.

The OER and the Distributed Generation Standard Contracts Board (DG Board) are responsible for developing ceiling prices and the megawatt allocation plan for each renewable technology and submitting those recommendations to the Public Utilities Commission annually. The DG Board members were selected by Governor Chafee and confirmed by the Senate in May 2013. During that year, the DG Board expanded the list of eligible renewable technologies for the 2014 DG program to include small-scale hydropower in addition to wind, solar, and anaerobic digestion. The 2014 program will have three enrollment periods, scheduled tentatively for April, June, and September.

Overall, the price per kilowatt for awarded DG contracts has gradually declined over the first three years of the DG program. The OER anticipates that the trend will continue in 2014 driven by a combination of the state's strong commitment to renewable energy development, growing industry experience, and a decline in hardware costs.

Evidence demonstrates that the Rhode Island DG program, initially launched as a pilot in 2011, has been successful in stimulating the local renewable market and supporting industry growth. At the time this Annual Report was filed, legislation pending before the General Assembly would implement a five-year, 160 MW extension of the program. The OER fully supports the legislation and has commissioned an Economic and Environmental Impact Study of the DG Program to help

inform the legislative debate. This study will be delivered to Governor Chafee and the General Assembly in May 2014.

Renewable Energy Fund

In 2013, under the leadership of Governor Chafee and the General Assembly, more funding was made available for small-scale renewable energy projects to be installed at Rhode Island homes and businesses, and financial support was directed toward innovative renewable energy technology efforts. These new commitments were made through the Renewable Energy Fund (REF), managed by Commerce RI in partnership with the OER. The most successful REF program in 2013 was the small-scale solar program for homes and businesses. Eight-five small solar projects were awarded funding through this program, with a majority for residential solar installations between 2 and 10 kilowatts. Further information on the REF program is available on the Commerce RI web site: www.commerceri.com/finance/REF.php

Federal Offshore Wind Development

The federal offshore wind project for Rhode Island and Massachusetts state waters progressed significantly in 2013 and 2014. The first successful federal offshore auction and leasing process for an Area of Mutual Interest (AMI) was held in July 2013. The OER worked in coordination with the Governor's Office, the Coastal Resources Management Council (CRMC), the Department of Environmental Management (DEM), and the RI's Congressional Delegation on the development of the federal offshore wind auction process with the federal Bureau of Ocean Energy Management (BOEM) and the Department of Interior. Deepwater Wind successfully secured the rights for the project, which will take several years to develop and construct.

Block Island Offshore Wind Project

At the time this Annual Report was filed, the Block Island offshore wind farm project was undergoing the final state and federal permit review processes with the CRMC and the United States Army Corp of Engineers. The project has secured the necessary easements from DEM and the Department of Transportation to bring both the transatlantic cable onto state property and necessary interconnection to a substation for the power to be delivered on the National Grid

distribution system. Deepwater Wind has purchased 5 wind turbines totaling 30 MW for the project and has secured the rental services of the shipping vessel that will transport the systems to the project site. It is anticipated that project construction will start in early 2015 and could be fully operational by Summer 2016.

Property Assessed Clean Energy

Governor Chafee and the General Assembly passed legislation in 2013 which established a Property Assessed Clean Energy (PACE) program in RI. The PACE program will provide residential property owners located in a PACE-designated municipality with a new, innovative opportunity to overcome the financing barriers that often prevent investment in and installation of cost-effective, energy-saving investments in energy efficiency and renewable energy measures for their homes.

The OER is drafting rules and regulations for the PACE program and anticipates that they will be presented for public comment in Spring 2014. The OER is working to have the program fully operational by the end of 2014.

For further information about the PACE program, including a Q&A fact sheet, please visit the OER website: www.energy.ri.gov/renewable/pace/.

State Energy Program

As part of the 2009 American Recovery and Reinvestment Act (ARRA), the OER was awarded nearly $24 million under the Department of Energy State Energy Program (SEP). While this award formally ended in September 2013, it helped create or retain 324 full time equivalent (FTE) jobs. Below is an illustrative list of some of the types of projects funded by ARRA SEP between 2009 and 2013:

Rhode Island Ocean Special Area Management Plan

In May 2010, the OER entered into an MOU with the University of Rhode Island (URI) "Regarding Support for Utility and Large Scale Renewable Energy Feasibility Analysis and Development." URI cooperated with the Rhode Island Coastal Resources Management Council (CRMC) to develop an Ocean Special Area Management Plan ("SAMP"). SAMP is an adaptive planning tool that promotes a balanced and comprehensive ecosystem-based management approach to the development and protection of Rhode Island's ocean-based resources. Research projects undertaken by URI scientists have provided the essential scientific basis for Ocean SAMP policy development. These projects include marine transport, critical habitats for fish, marine animals and birds, geology, and meteorology. The Ocean SAMP development had an extensive stakeholder process. One of the objectives of the SAMP process was to identify possible areas for siting alternative energy.

The ARRA funds also allowed URI to provide the State of Rhode Island with the necessary technical information to continue to be the nation's lead in implementing marine spatial planning and offshore wind farm siting. The CRMC and the State of Rhode Island have relied on URI to play this technical role to establish the framework to guide the installation of offshore wind turbines in federal waters in a responsible manner. The Rhode Island Ocean Special Area Management Plan (Ocean SAMP), the regulatory document guiding these offshore decisions, is the first federally approved marine spatial plan for state and federal waters and is being

promoted by federal agencies including NOAA, BOEM, and DOE, among others as a model for achieving President Obama's Ocean Policy Framework. The ARRA funds made it possible for URI to provide the CRMC with both technical and administrative assistance to respond to BOEM's Smart from the Start Initiative.

Renewable Energy at State Beaches and Parks

The OER entered into an MOU with DEM regarding funding support for renewable energy projects. Renewable energy projects were installed at state beaches, parks, a fish hatchery, and a state-owned community farm. The use of eligible renewable energy resources on state -owned properties benefits the citizens of Rhode Island by reducing statewide utility costs, protecting the environment, and demonstrating the efficacy of renewable energy.

Electric Vehicle Charging Stations Initiative

The Office completed the installation of 50 electric vehicle charging stations, known as EVSEs (Electric Vehicle Supply Equipment) in September 2013. The Office worked closely with Chargepoint, National Grid, Ocean State Clean Cities, and Project Get Ready to site and install the stations. Fourteen stations are located on state-owned property, mainly at parks and beaches. The remaining 36 were installed on privately-owned property. Property owners signed four-year lease agreements to provide the electricity free of charge to end-users, while also ensuring access to the EVSE at all times. After four years, National Grid will assume ownership of the stations and has agreed to provide service and maintenance.

Providence – Green and Healthy Homes Initiative

"Align, Braid, and Coordinate" became the official mantra of the Providence Green and Healthy Homes Initiative. In August 2011, the OER entered into an MOU with the City of Providence "Regarding Support for the Green and Healthy Homes Initiative (GHHI) in the City of Providence." The City of Providence was one of 13 cities nationwide – and the only Rhode Island municipality – awarded Green and Healthy Homes Initiative status. OER awarded ARRA funding to assist Providence to undertake a Neighborhood Whole Home Retrofit Pilot. The Initiative also conducted education and outreach, home audits, and weatherization services.

As part of its contractual agreement with the Office, the City of Providence was tasked with identifying, training, and certifying Providence-based minority business enterprise (MBE) contractors to participate in the pilot program. Coordinated by the GHHI Providence Outcome Broker, training funds were secured from a local workforce training partner to support this project. As a result, 22 individuals representing 12 MBE contracting firms applied and participated in a customized GHHI training program. Participants of the program earned health, safety, and energy efficiency certifications which made them eligible to respond to an official request for qualifications (RFQ) established by the City's Board of Contractors. Of the 12 firms that participated in the training, seven responded to the RFQ and earned a spot on the City's GHHI contractor list. With the success of the pilot program, the City of Providence is committed to expanding GHHI throughout the community.

Adopting the International Code Council 2012 Building Codes

In September 2009, the Office entered into an MOU with the Rhode Island Building Commissioner to support the adoption and implementation of the State Energy Conservation Code. ARRA funds were used for energy conservation code adoption, education and training, code compliance, and a baseline study. The ARRA funds made it possible for the state to:

- Adopt the 2012 International Energy Conservation Code, an energy efficient national model building code (the only state in New England to do so);
- Offer 35 training classes for building code officials in all 39 cities and towns;

- Purchase 80 code books; and
- Perform an "Energy Code Compliance Baseline Study."

Work performed with ARRA funds also initiated a partnership between the State Building Commissioner, Northeast Energy Efficiency Partnerships, and National Grid. With ratepayer-backed energy efficiency funds, National Grid will continue to offer free Rhode Island Energy Code trainings and technical support on the residential and commercial code to code officials, builders, subcontractors, and design professionals.

Energy Efficiency and Conservation Block Grant Program

The state was awarded more than $9.5 million in ARRA stimulus funds under the Energy Efficiency and Conservation Block Grant Program ("EECBG"). The funding was deployed across all Rhode Island municipalities with goals to reduce energy consumption and greenhouse gas emissions, create and sustain jobs, and save local governments money. Projects under the program included municipal building weatherization, HVAC upgrades, renewable energy system installations, and building energy audits. All municipalities completed various measures over the course of the program, which helped create or retain 110 full time equivalent (FTE) jobs. The program was completed in September 2013.

Some examples of projects conducted under the EECBG program include:

- Oil-to-gas boiler conversions at municipal schools, libraries, and city/town halls;
- LED lighting retrofits of interior and exterior fixtures;
- Installation of Energy Star windows and doors;

- Solar thermal projects completed at the Delsesto Middle School in Providence and the Exeter Animal Shelter; and
- Energy audits conducted at more than 100 South County municipal buildings.

ENERGY SECURITY

Emergency Management

The OER maintained an active role in the State's energy security throughout 2013. The OER, in coordination with the Division of Public Utilities and Carriers (DPUC), is responsible for monitoring the state's four primary fuel terminals in Providence that supply gasoline, diesel, heating oils, and jet fuel for Rhode Island and other New England states. Fuel inventory legislation, passed during the 2013 legislative session, authorizes the OER to track fuel supplies at major terminals to ensure that sufficient supply in on hand in the event of storms. The OER also staffs the Emergency Operation Center (EOC) at the Rhode Island Emergency Management Agency (RIEMA) center during significant storm events. For example, the EOC was activated for three days during Blizzard Nemo. The OER worked with RIEMA, National Grid, and the DPUC to assist in the restoration of electricity services at all of the state's fuel terminals during that winter storm event.

REGIONAL GREENHOUSE GAS INITIATIVE

The Regional Greenhouse Gas Initiative (RGGI) is the nation's first mandatory, market-based cap and trade program to reduce emissions of carbon dioxide (CO_2), the principal greenhouse gas contributing to global climate change. Under the program, which began in 2009, participating RGGI states (RI, CT, DE, MA, MD, ME, NH, NY, and VT) established a regional cap on CO_2 emissions from fossil fuel-fired electric generation facilities. These power plants are required to possess a tradable CO_2 allowance for each ton of CO_2 they emit: CO_2 allowances are auctioned quarterly.

Each participating state directs its own strategy for the investment of the auction proceeds. The allowable use of auction proceeds in Rhode Island is governed by §23-82-6 of the Rhode Island General Laws. Rhode Island primarily invests CO_2 allowance proceeds in energy efficiency and conservation and renewable energy technologies.

The *2013 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds* (RGGI Plan) allocates Rhode Island's proceeds from auctions held in 2012, totaling more than $2.85 million. Roughly 60 percent of net auction proceeds have been allocated to support investments in energy efficiency measures and programs, while the remaining 40 percent of funds are allocated to projects centered around renewable energy, grid modernization, and innovation.

Further information on the RGGI program is available on the OER web site at:
www.energy.ri.gov/rggi/index.php

2014 ENERGY LEGISLATION

The OER appreciated the support of Governor Chafee and the General Assembly during the 2013 legislative session, which led to passage of the Property Assessed Clean Energy Act and the Municipal Streetlight Investment Act.

The OER supports the following energy legislation during the 2014 legislative session:

- **Regional Energy Development** – The OER supports Governor Chafee's regional energy infrastructure legislation that provides opportunities for the New England states to make coordinated, strategic investments in energy infrastructure assets that facilitate the delivery of clean energy resources – including large-scale hydropower – and help reduce energy price volatility and long-term costs for residents and businesses.

- **Regional Greenhouse Gas Initiative** – The OER, in coordination with the DEM, recommends a change to the RGGI administrative funding formula. To respond to expanded mandates that the bodies implement and oversee, the legislation would allow these agencies to utilize up to 10 percent of annual RGGI program proceeds to meet administrative needs.

- **Distributed Generation Growth Program** – The OER supports a five year extension and expansion of the DG Growth Program. The 2011 legislation that established the DG pilot program has exceeded enrollment expectations, while realizing declining project costs, supporting local industries, and creating jobs. The bill would allow for an additional 160 MW of distributed renewable generation projects to be developed, while shifting from a contract-based to a tariff-based program.

- **Renewable Energy Licensing** – The OER, in coordination with the Department of Labor and Training (DLT), recommends an update to the advertising and installation rules for renewable energy systems. The existing law is a barrier to developing a renewable energy business presence in Rhode Island in that it requires renewable energy companies to have

a master electrician on the company's board or staff year-round in order to advertise for renewable energy work. The OER and DLT also recommend clarifications around the roles played by general contractors and electricians involved in installation. These changes will better define roles at renewable energy job sites.

- **Energy Efficiency Resource Management Council** – The OER supports adding two additional members to the EERMC – a representative from a municipality and an individual with energy efficiency jobs training experience. These two members will provide valuable expertise and perspectives to the Council and contribute to the goal of building a diverse team to develop and oversee the annual energy efficiency program plans.

SYSTEM BENEFIT CHARGE

The OER receives a majority of its administrative funding through the System Benefit Charge (SBC) assessed to ratepayers, consistent with energy restructuring legislation enacted with the FY2013 State Budget. The OER received $694,800 from the SBC in 2013 for staffing activities pertaining to the purposes, powers, and duties of the OER including planning, management, and evaluation of energy efficiency programs, renewable energy programs, system reliability, and least-cost procurement, as well as for participation in regulatory proceedings and contested cases.

The funds are critical to the agency's ability to meet its statutory mission and help Rhode Island achieve a clean energy future that supports local industry and job creation, while meeting important sustainability and environmental goals. Many of the programs and accomplishments described throughout this report were driven, at least in part, by SBC funding, including:

- Oversight and development of the 2014 state energy programs;
- Development of the 2015-2017 three-year targets for the state energy efficiency programs;
- Transition of the Low Income Home Energy Assistance and Weatherization Programs to the Department of Human Services;
- Development of the Rhode Island State Energy Plan;
- Development of the Property Assessed Clean Energy (PACE) program;
- Development and support for the Municipal Streetlight Investment Act;
- Participation in energy efficiency and streetlight dockets before the Public Utilities Commission;
- Implementation and coordination of the Rhode Island Public Energy Partnership;
- Design of a distributed generation pilot program in Tiverton and Little Compton;
- Implementation and execution of the Distributed Generation Standard Contracts Program;

- Review of the submitted Renewable Energy Fund applications with Commerce RI.
- Education and expansion of energy efficiency and renewable energy programs in the agriculture sectors; and,
- Oversight and staffing energy assurance activities including planning and responding to storms; monitoring inventories of delivered fuels; assessing vulnerabilities of critical energy infrastructure and developing strategies to address them; and coordinating with both other state agencies and regional and national energy entities.

APPENDIX A

RIGL Title 42 Chapter 140-3. Purposes
Rhode Island Energy Resources Act

Rhode Island Energy Resources Act outlines the purposes and responsibilities of the Office:

(1) Develop and put into effect plans and programs to promote, encourage, and assist the provision of energy resources for Rhode Island in a manner that enhances economic well-being, social equity, and environmental quality;

(2) Monitor, forecast, and report on energy use, energy prices, and energy demand and supply forecasts, and make findings and recommendations with regard to energy supply diversity, reliability, and procurement, including least-cost procurement;

(3) Develop and put into effect plans and programs to promote, encourage and assist the efficient and productive use of energy resources in Rhode Island, and to coordinate energy programs for natural gas, electricity, and heating oil to maximize the aggregate benefits of conservation and efficiency of investments;

(4) Monitor and report technological developments that may result in new and/or improved sources of energy supply, increased energy efficiency, and reduced environmental impacts from energy supply, transmission and distribution;

(5) Administer the programs, duties, and responsibilities heretofore exercised by the state energy office, except as these may be assigned by executive order or the general laws to other departments and agencies of state government;

(6) Develop, recommend and, as appropriate, implement integrated and/or comprehensive strategies, including regional and federal level strategies, to secure Rhode Island's interest in energy resources, their supply and efficient use, and as necessary to interact with persons,

private sector, non-profit, regional, federal entities and departments and agencies of other states to effectuate this purpose;

(7) Cooperate with agencies, departments, corporations, and entities of the state and of political subdivisions of the state in achieving its purposes;

(8) Cooperate with and assist the state planning council and the division of state planning in developing, maintaining, and implementing state guide plan elements pertaining to energy and renewable energy;

(9) Coordinate the energy efficiency, renewable energy, least cost procurement, and systems reliability plans and programs with the energy efficiency resource management council and the renewable energy coordinating board;

(10) Participate in, monitor implementation of, and provide technical assistance for the low-income home energy assistance program enhancement plan established pursuant to § 39-1-27.12;

(11) Participate in and monitor the distributed generation standard contracts program pursuant to chapter 39-26-2;

(12) Coordinate opportunities with and enter into contracts and/or agreements with the economic development corporation associated with the energy efficiency, least-cost procurement, system reliability, and renewable energy fund programs;

(13) Provide support and information to the division of planning and the state planning council in development of a ten (10) year Rhode Island Energy Guide Plan, which shall be reviewed and amended if necessary every five (5) years;

(14) Provide funding support if necessary to the renewable energy coordinating board and/or the advisory council to carry out the objectives pursuant to chapter 42-140-3;

(15) Advise and provide technical assistance to state and federally funded energy program to support:

(i) The federal low-income home energy assistance program which provides heating assistance to eligible low-income persons and any state funded or privately funded heating assistance program of a similar nature assigned to it for administration;

(ii) The weatherization assistance program which offers home weatherization grants and heating system upgrades to eligible persons of low-income;

(iii) The emergency fuel program which provides oil deliveries to families experiencing a heating emergency;

(iv) The energy conservation program, which offers service and programs to all sectors; and

(16) Advise the economic development corporation in the development of standards and rules for the solicitation and award of renewable energy program investment funds in accordance with § 42-64-13.2;

(17) Develop, recommend, and evaluate energy programs for state facilities and operations in order to achieve and demonstrate the benefits of energy-efficiency, diversification of energy supplies, energy conservation, and demand management; and

(18) Advise the governor and the general assembly with regard to energy resources and all matters relevant to achieving the purposes of the office.